

Post-pandemic recovery on track

A photograph of a sunset over a field of tall grass. The sun is a bright yellow circle partially obscured by the dark silhouettes of the grass stalks. The sky transitions from a deep orange near the horizon to a darker red at the top. The grass in the foreground is dark and out of focus, creating a sense of depth.

Dr Roelof Botha

Key challenges facing South Africa

- A decade of sub-optimal economic growth
- The sad legacy of state capture, corruption and theft under the Zuptas
- Public sector incompetence (cadre deployment & nepotism)
- Infrastructure deficiencies, especially roads, ports, energy & water
- High unemployment
- Fiscal balance stretched to the limit
- Income inequality
- Highly competitive emerging market environment
- Underdeveloped regional economies
- Cheap & subsidised imports from China
- Slow pace of reforms to economic policy

Economic woes mainly caused by the disastrous Zupta-era

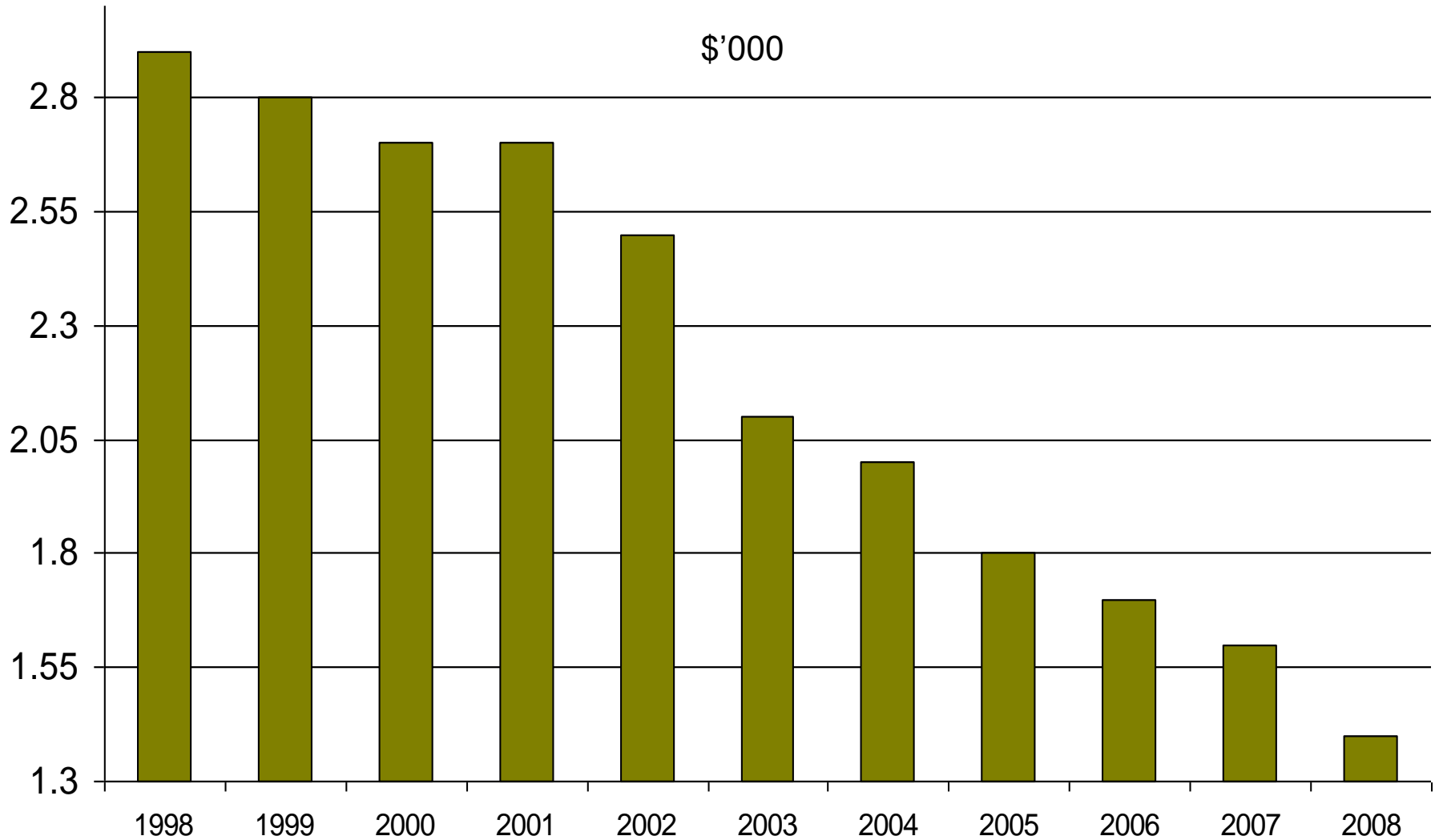
Poor economic leadership during the Zuma years resulted in losses in GDP of at least **R2.5 trillion**, tax revenue foregone of **R635 billion** and cost each South African an average of **R48k**. An average of **1.2 million** more jobs could have been supported with better leadership and a more competent state!

- Sassa grant debacle (Minister found guilty of fraud in 2006)
- Energy policy fiasco (100% increase in electricity tariffs in 3 years)
- PetroSA loss in 2015 = R14.5 billion (due to incompetence)*
- SAA loss in 2017/18 = R5.7 billion*
- Irregular municipal expenditure doubles to R14.8 billion*
- High Court of SA exposes DMR as “irrational & incompetent”
- 3,600 public servants found guilty of corruption
- Hawks’ attack on Finance Minister Gordhan nonsensical
- Reckless cabinet reshuffle; clearly influenced by Guptas
- 80 ANC-run municipalities dysfunctional due to nepotism/incompetence/fraud/corruption/theft
- Contingent liabilities of government increased from R200bn to R900bn between 2008 and 2017
- ANC admits it may be destroyed by corruption & fraud

***Note:** Could have paid for 650k houses and supported 210k jobs

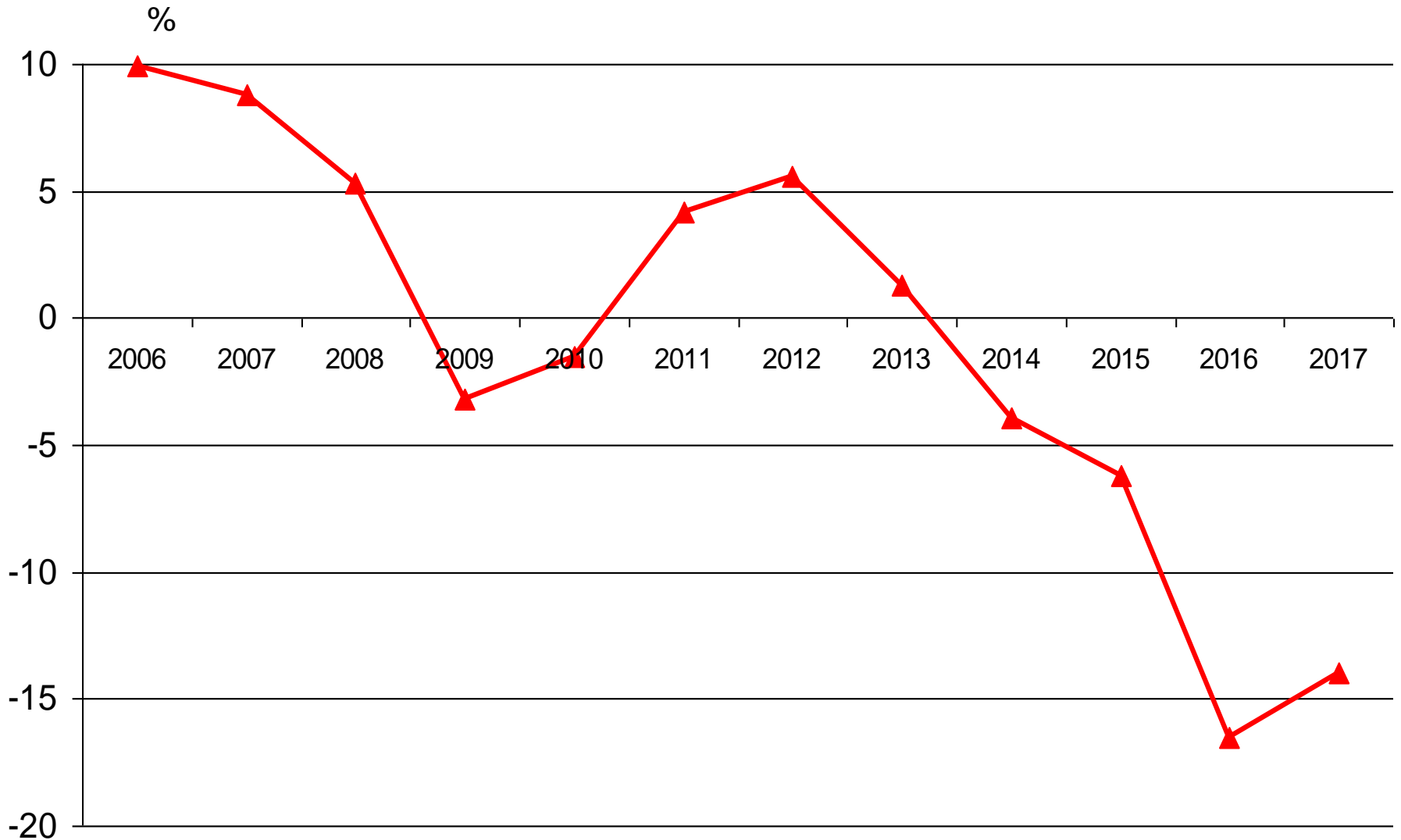
Zimbabwe real *per capita* GDP after nationalisation of land

(Source: World Bank)



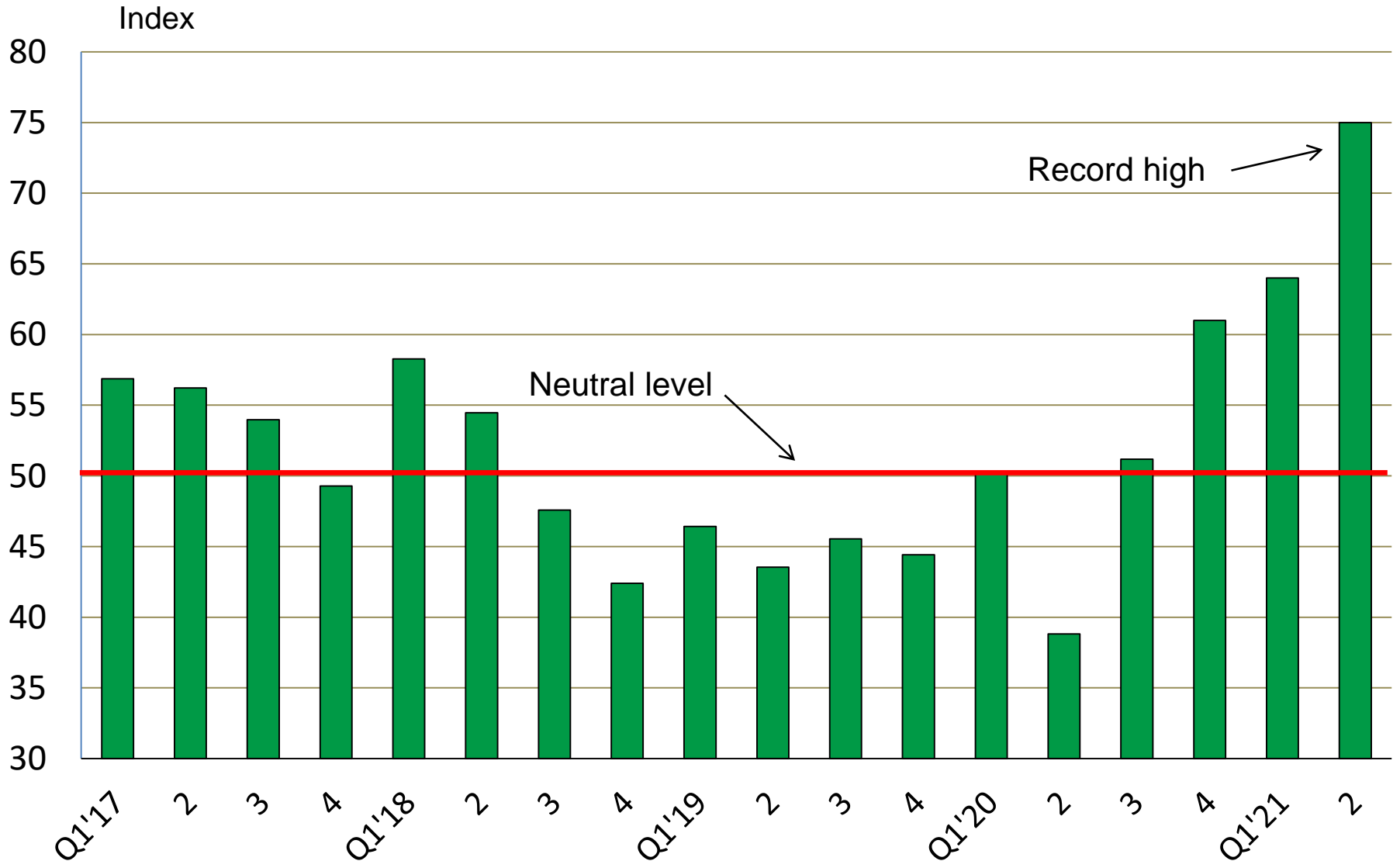
Venezuela – real GDP growth since the nationalisation of land

(Source: World Bank)



AgBiz/IDC Index of confidence in agriculture

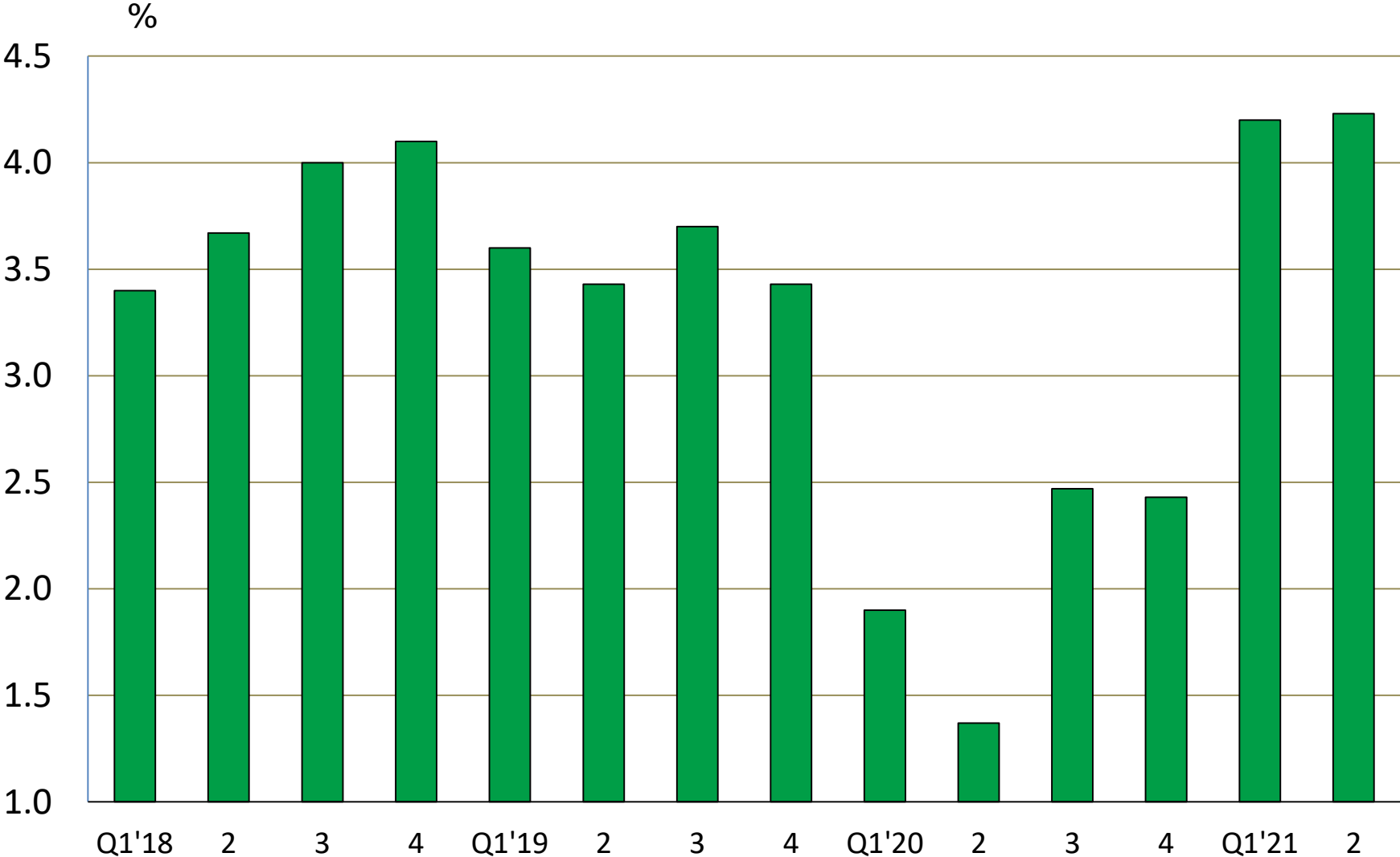
(Source: Agbiz)



Construction & property snapshot

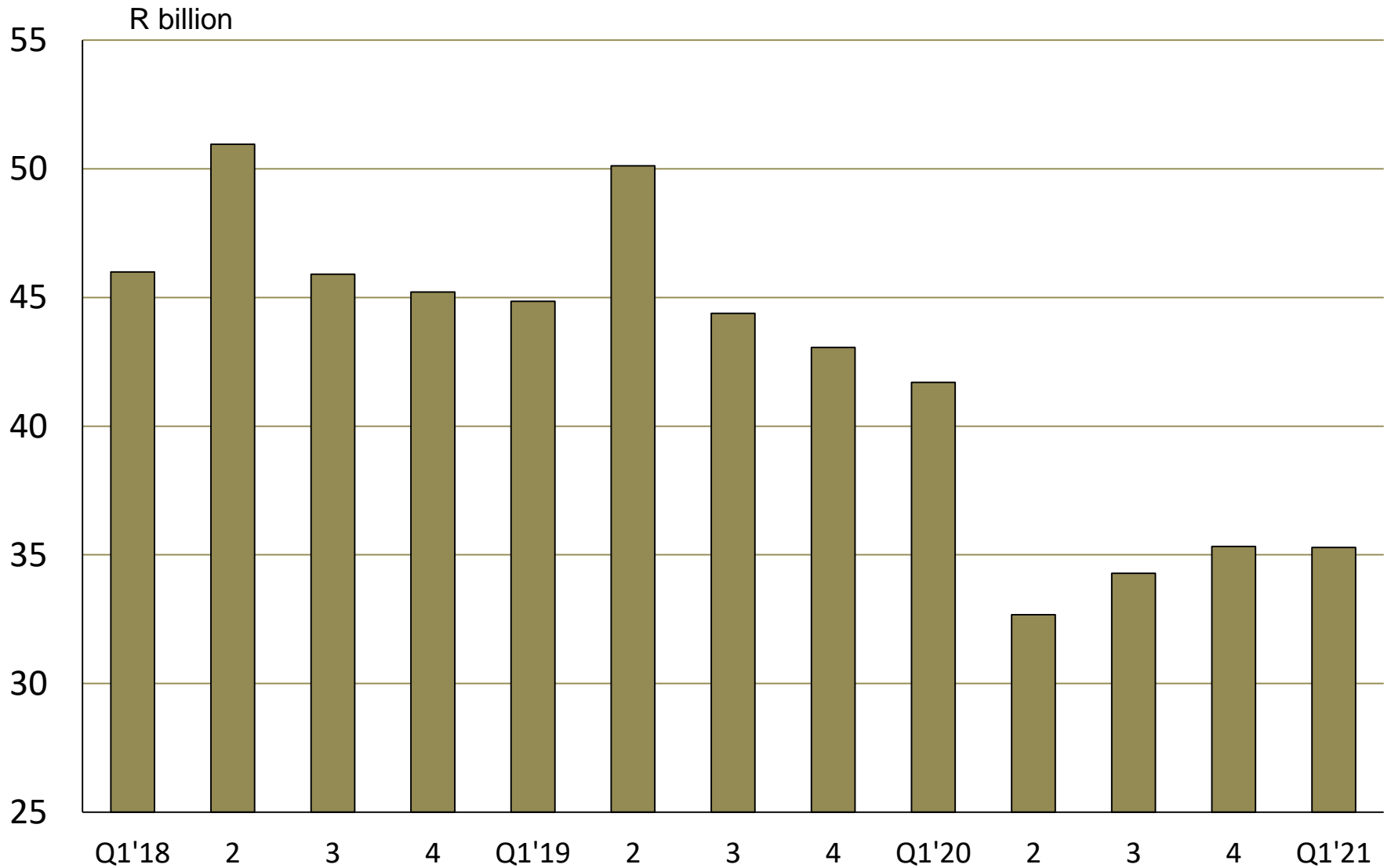


FNB House Price Index (year-on-year % change)



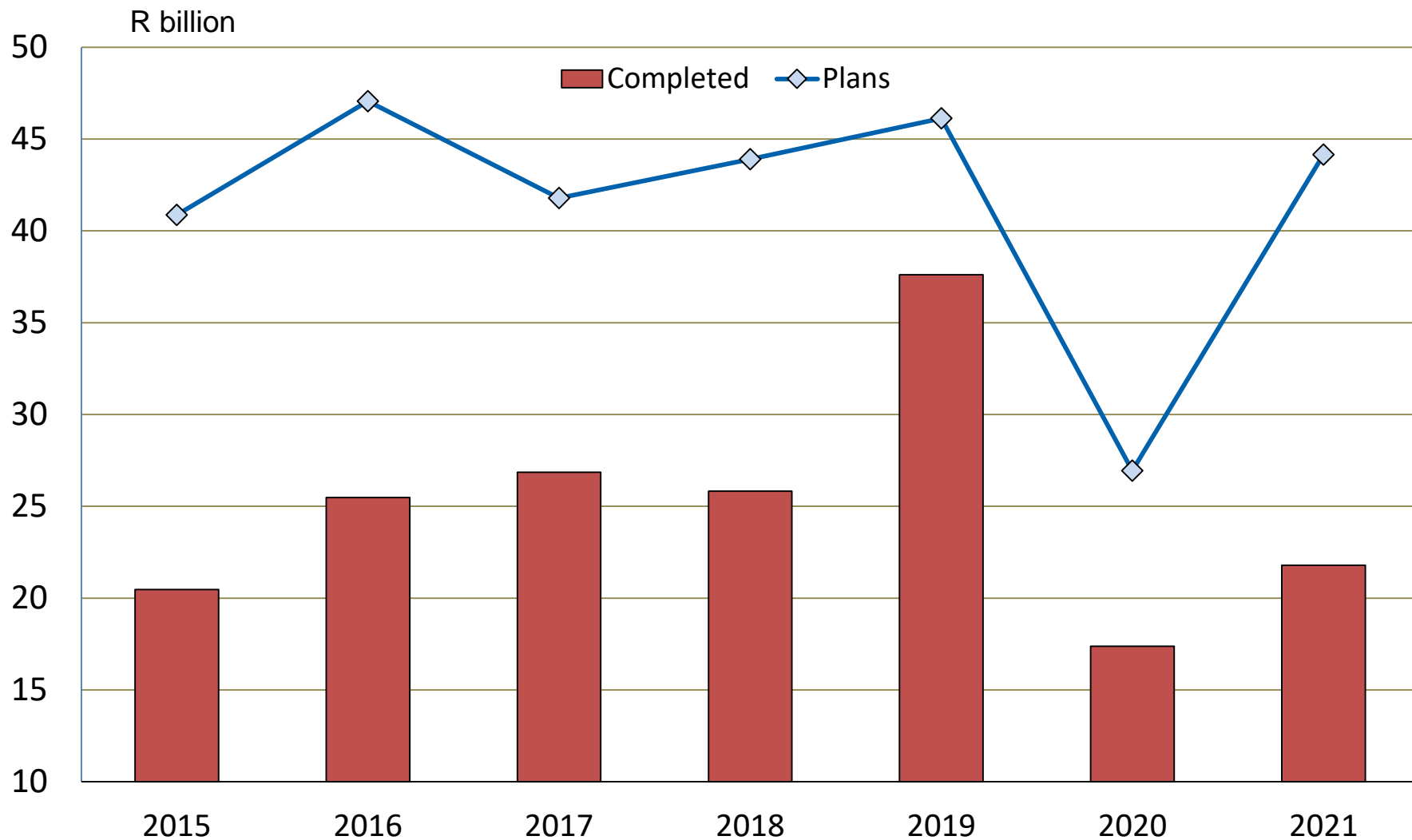
Value added by the construction sector

(Source: Stats SA)



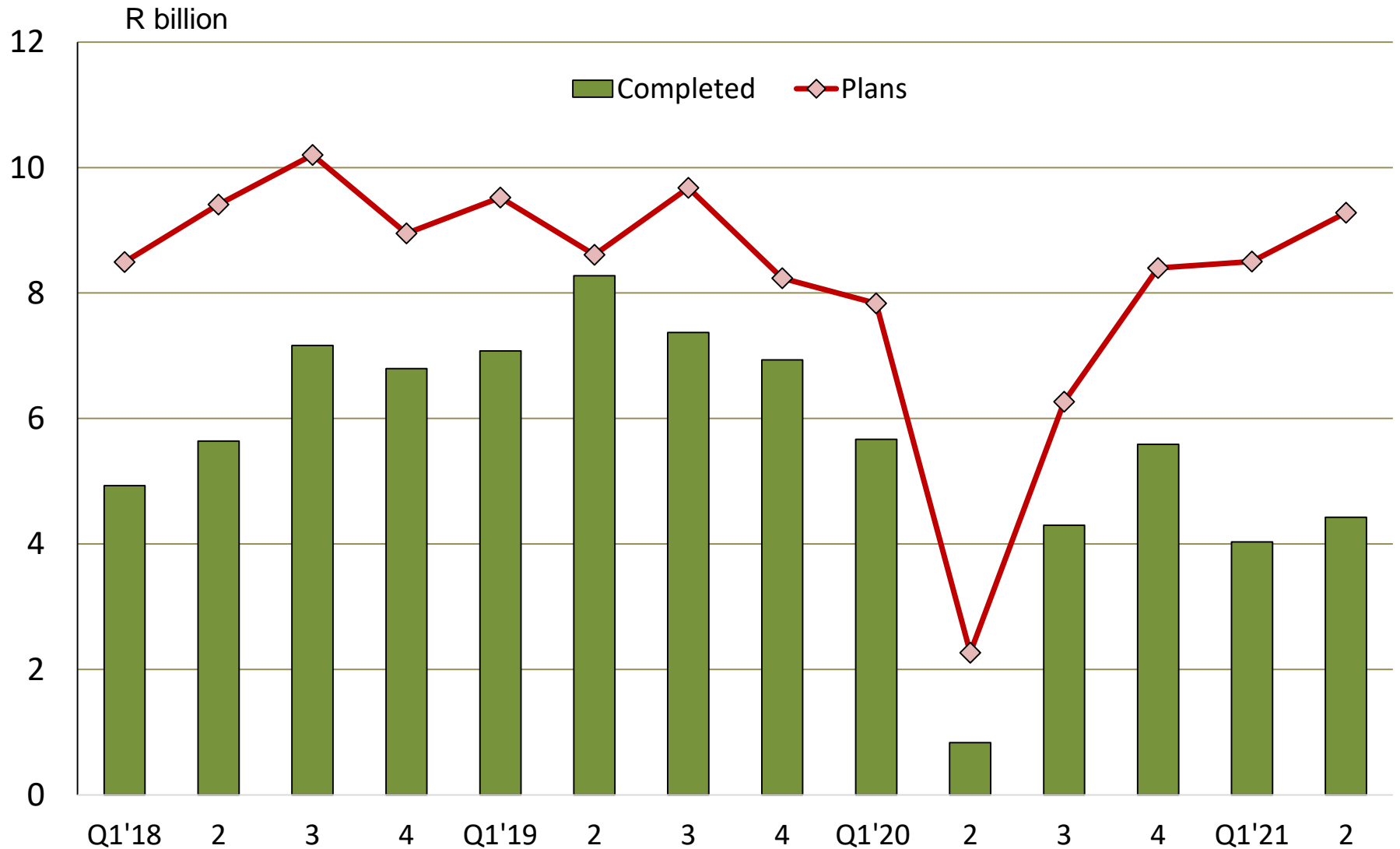
Value of building plans passed & buildings completed by larger municipalities (Jan to May)

(Source: Stats SA)



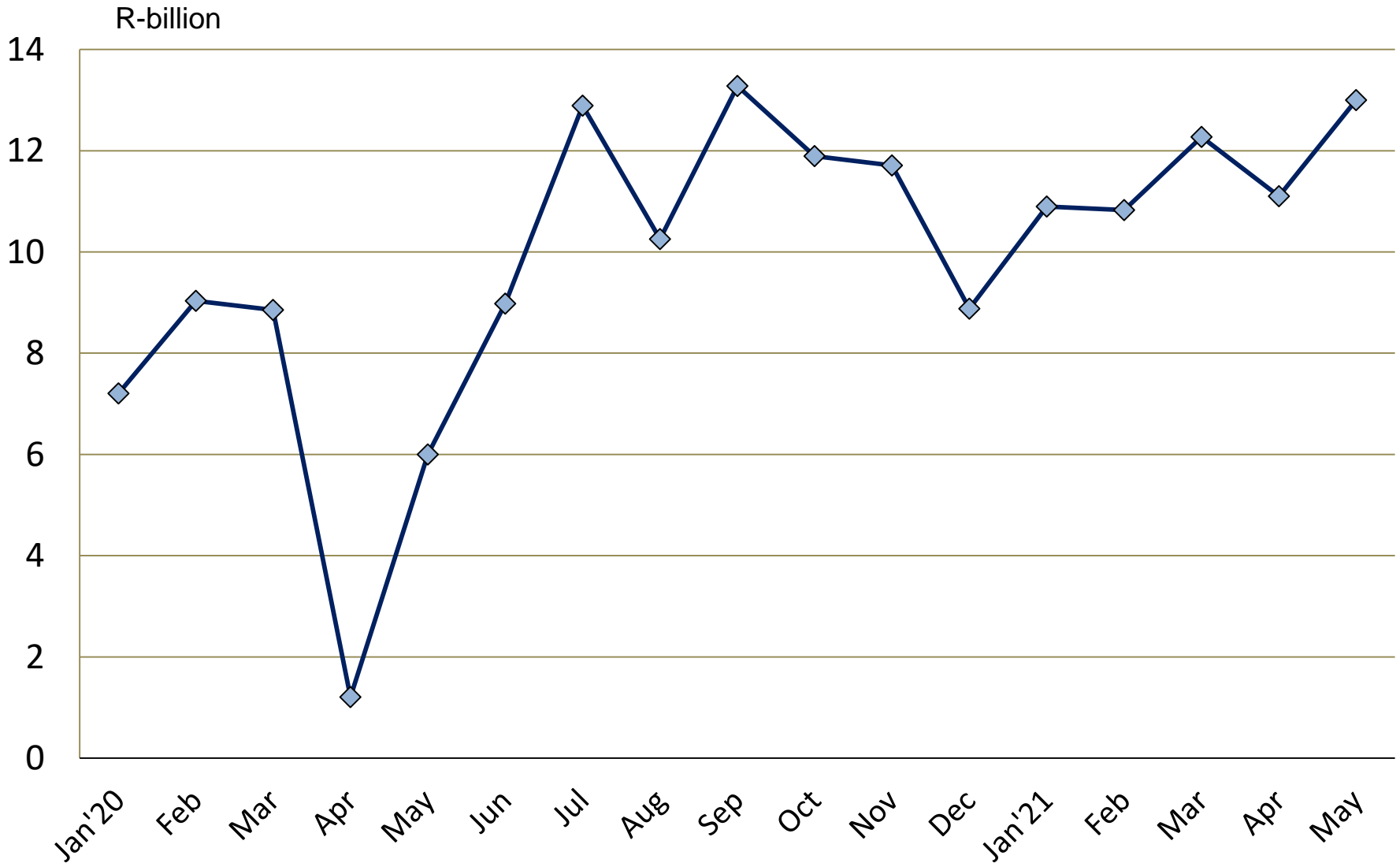
Average monthly value of building plans passed & buildings completed by larger municipalities

(Source: Stats SA)

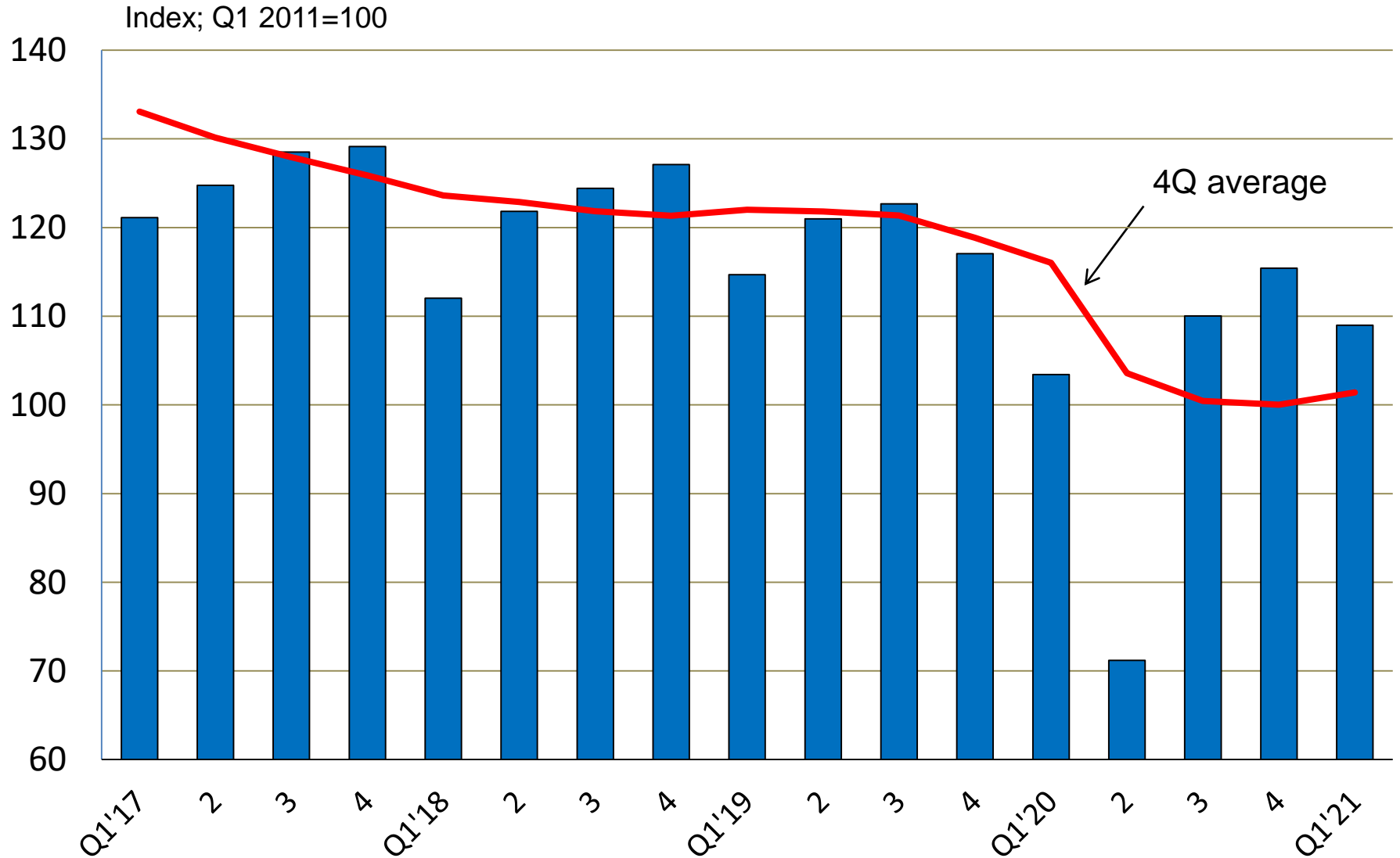


Value of sales of construction materials (wholesale) at current prices

(Source: Stats SA)

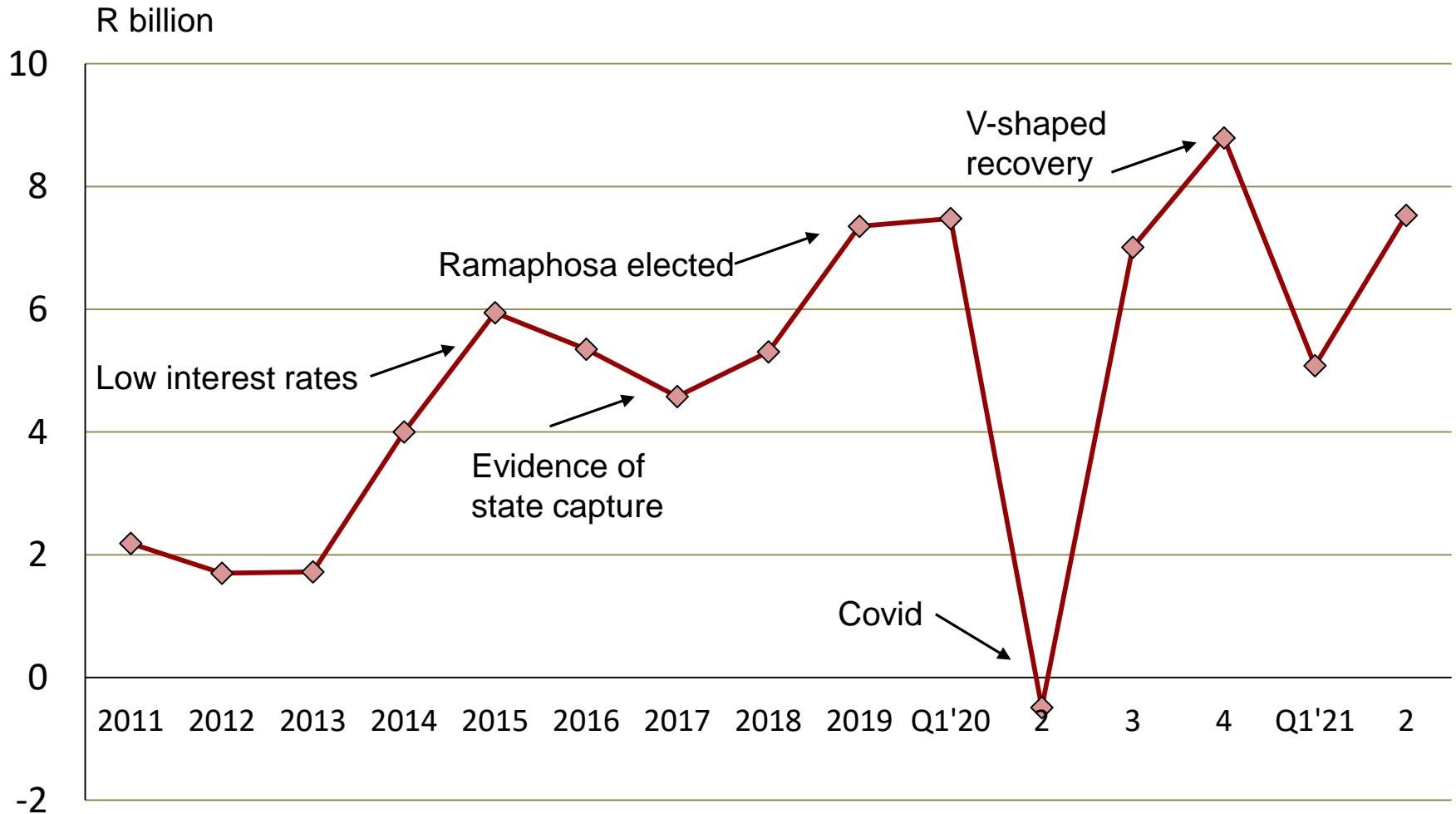


Afrimat Construction Index (ACI) – 1st quarter 2021



Change in the average monthly value of mortgage advances

(Sources: SARB; own calculations)

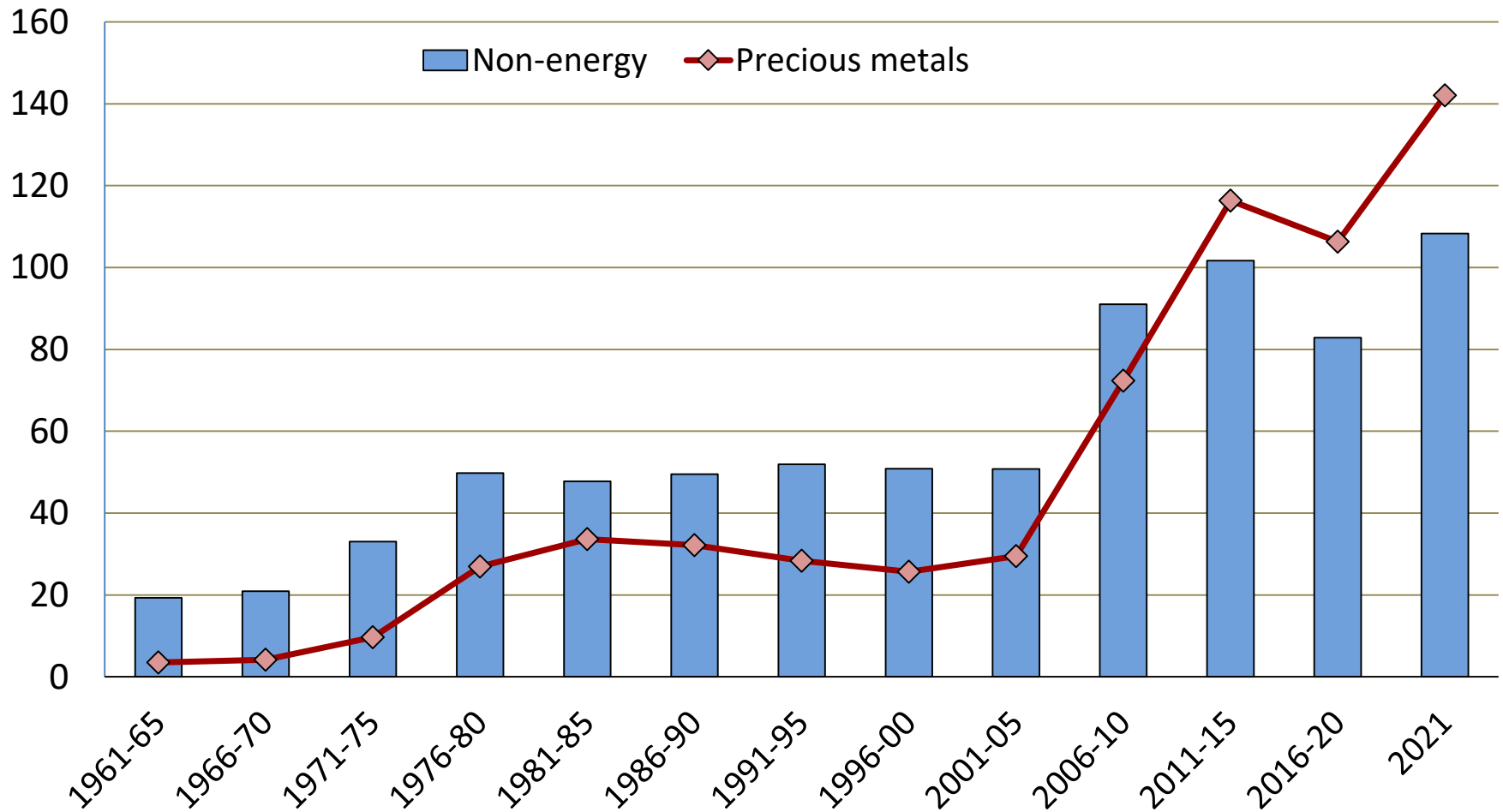


The impact of a receding pandemic



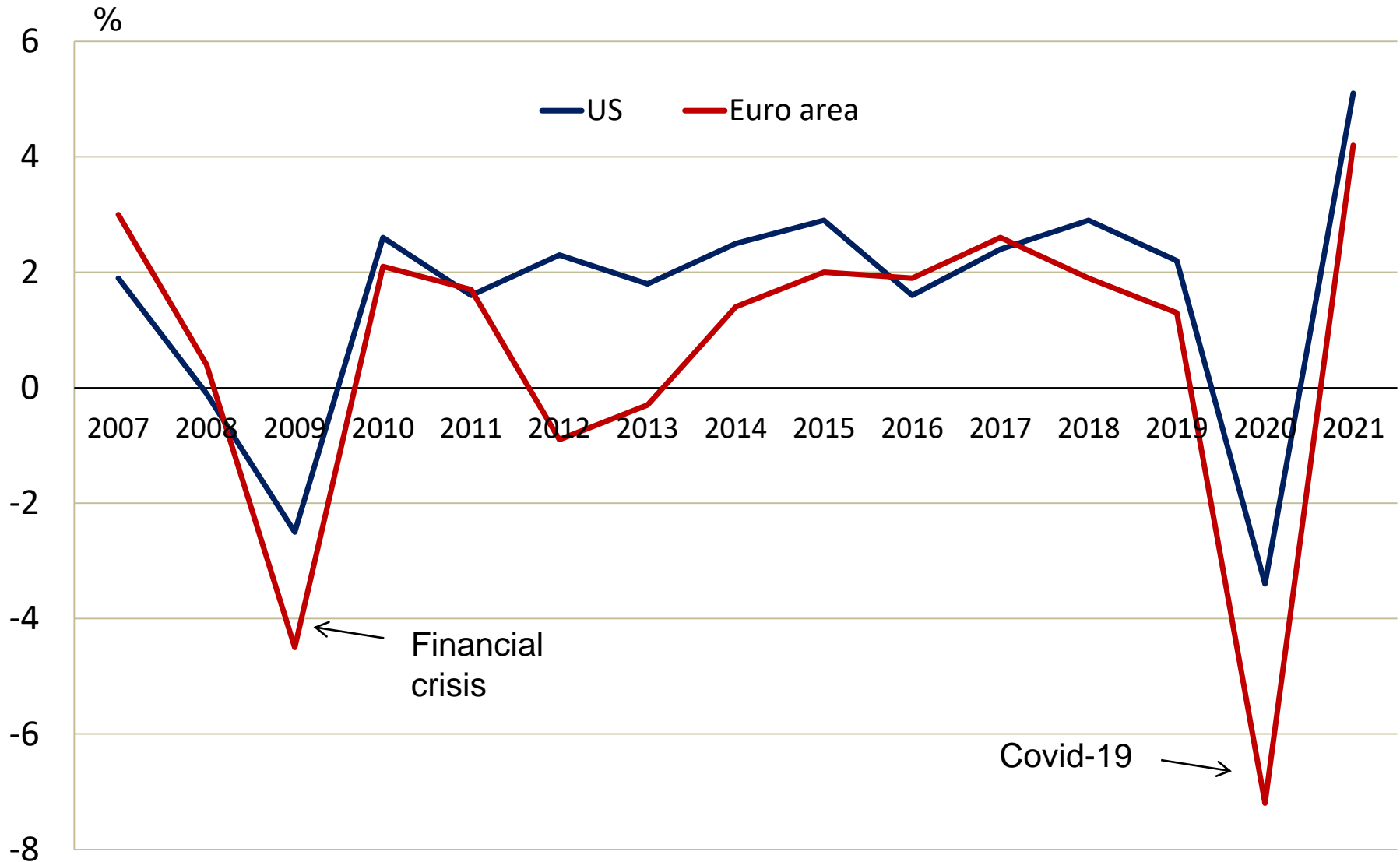
Average World Bank commodity price indices – total non-energy & precious metals

Index; 2010 = 100



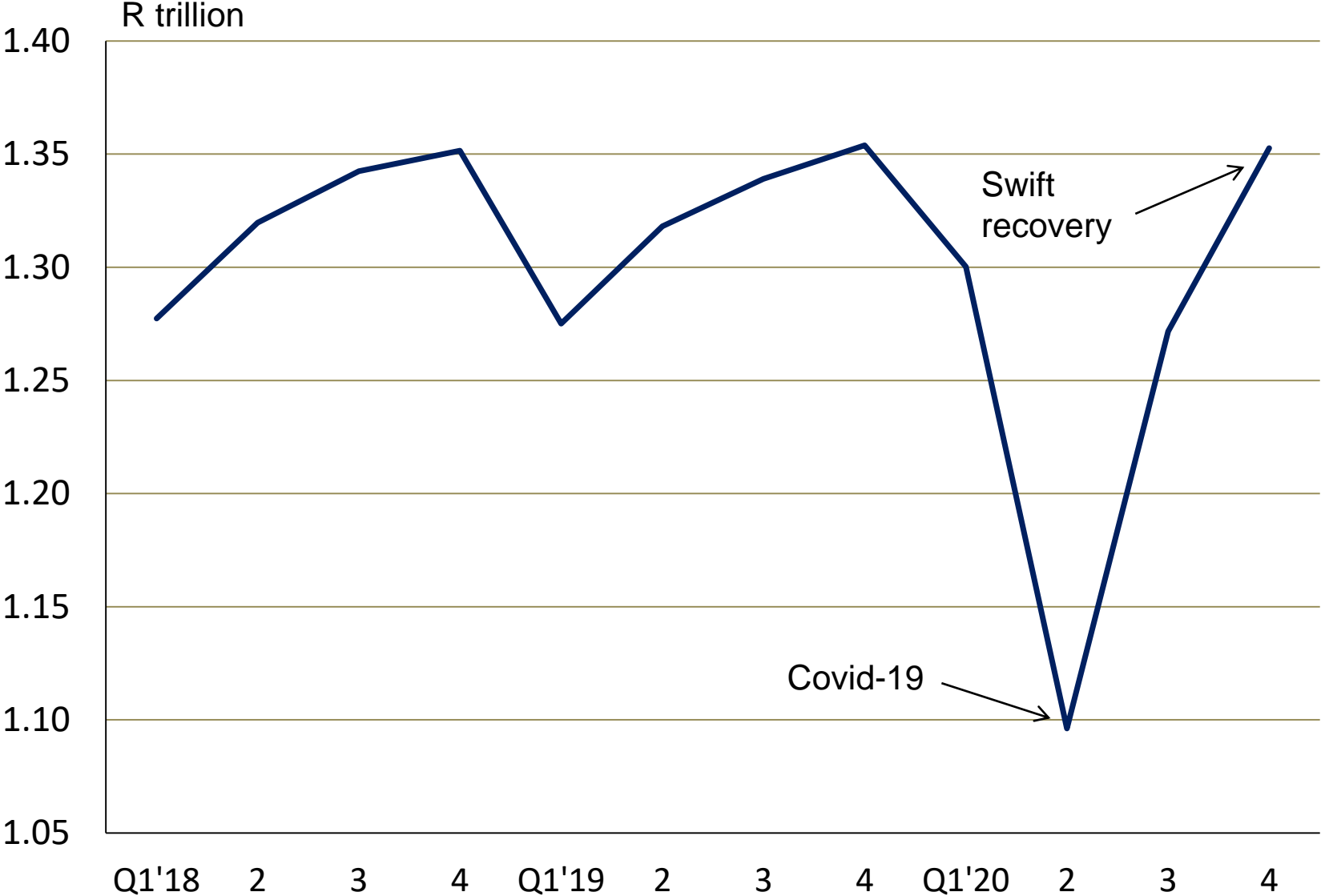
GDP growth – US & Euro area

(Note: Forecasts for 2021; Source: World Bank)

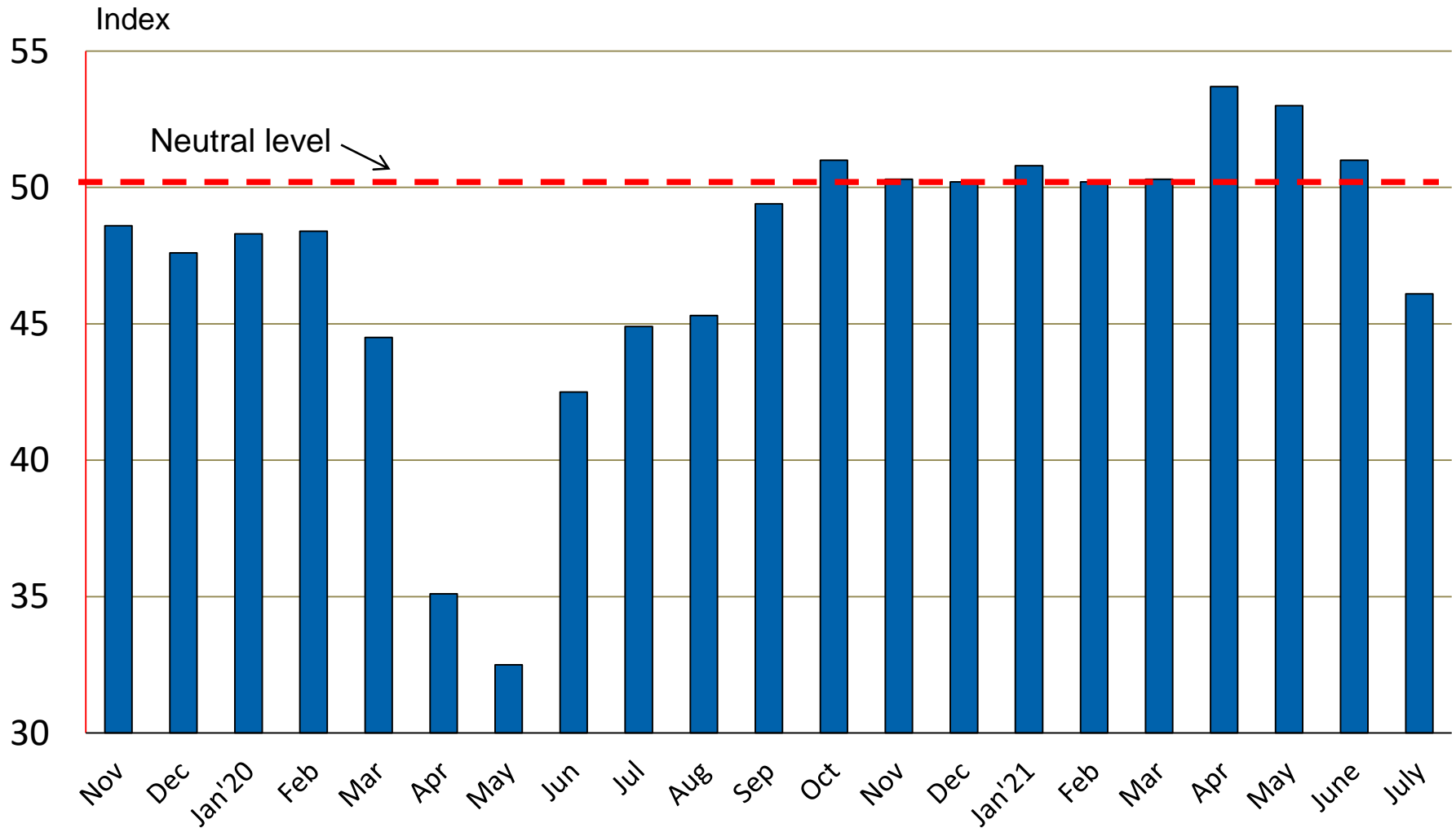


Quarterly GDP at constant 2020 prices

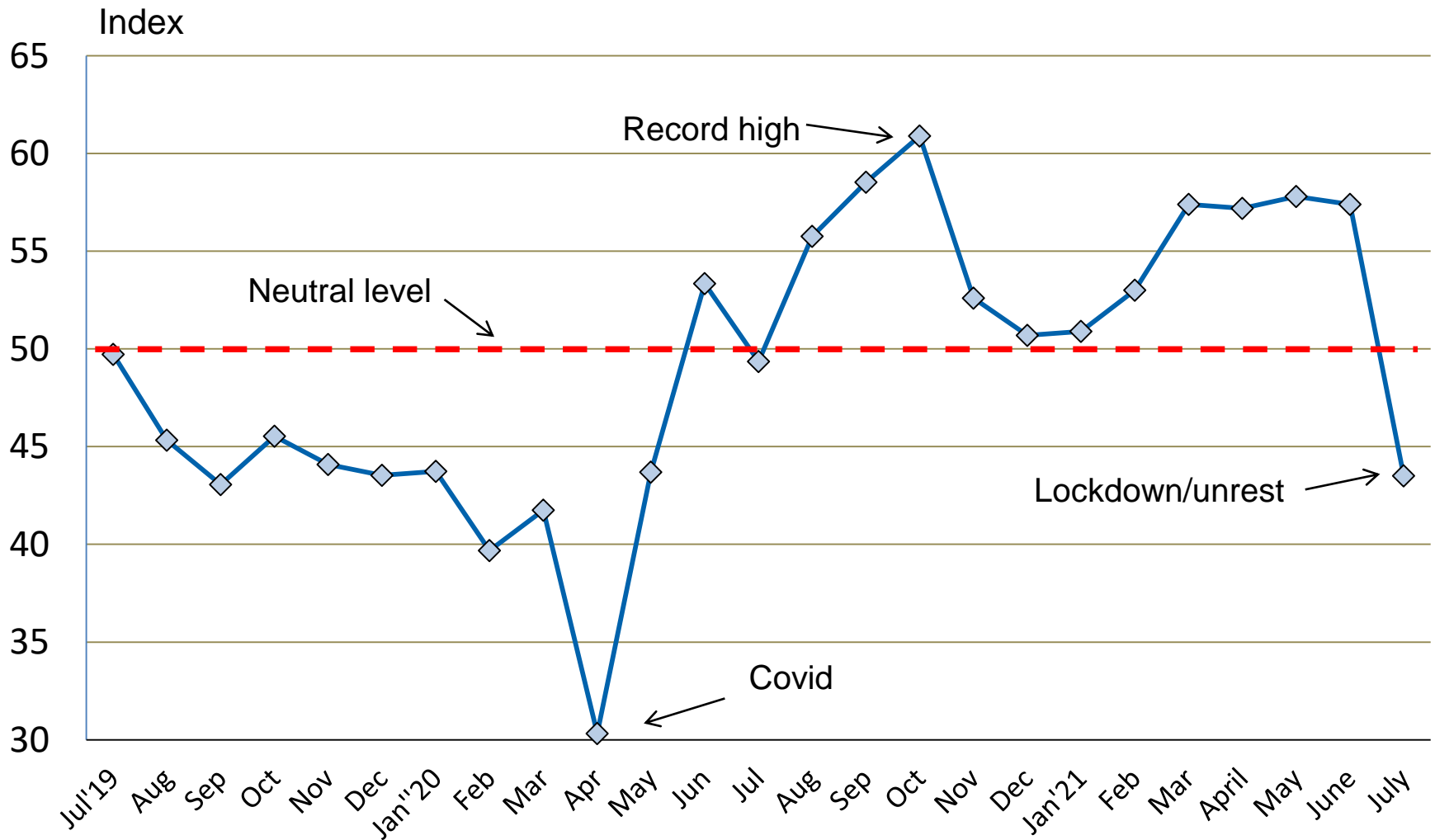
(Note: deflated by the CPI; Source: Stats SA)



IHS Markit Composite Purchasing Managers' Index (PMI) for South Africa

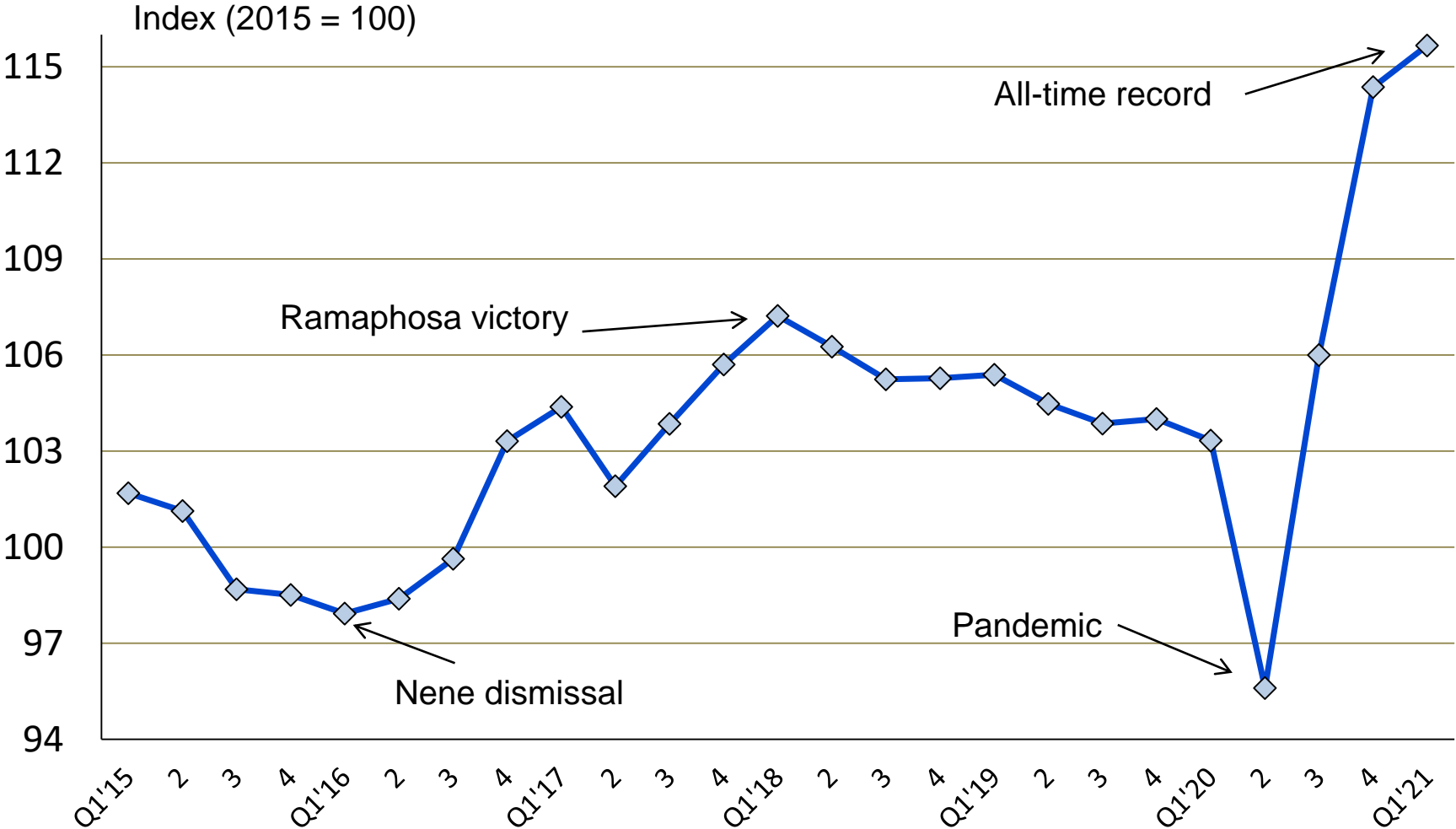


Absa/BER purchasing managers' index (PMI) above neutral 50-level for 11 successive months, but hit by lockdown & unrest in July



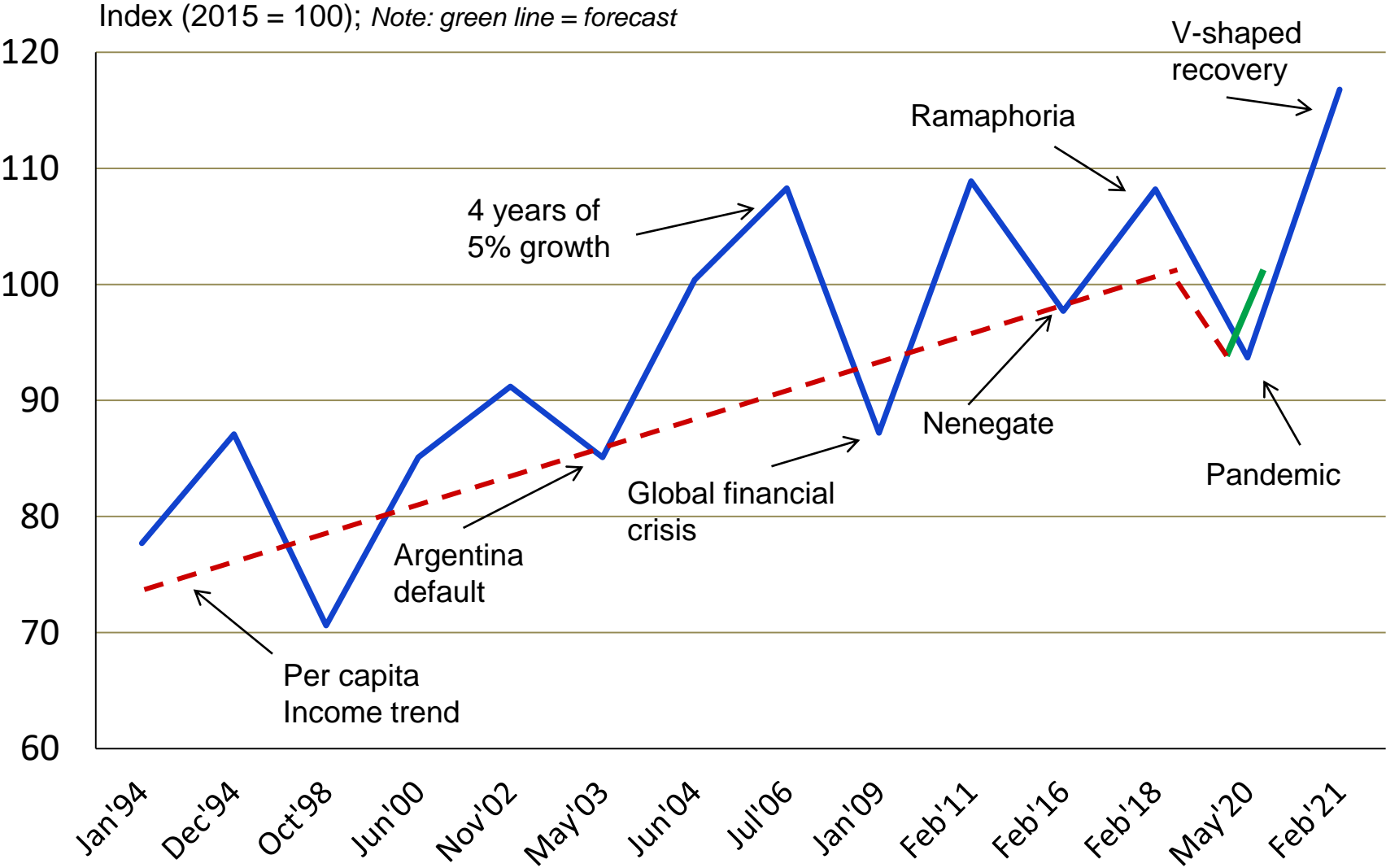
South Africa's leading business cycle indicator

(Note: Quarterly average; Source: SARB)



Highs & lows for South Africa's leading business cycle indicator & trend line for real per capita income

(Sources: SARB; own calculations)



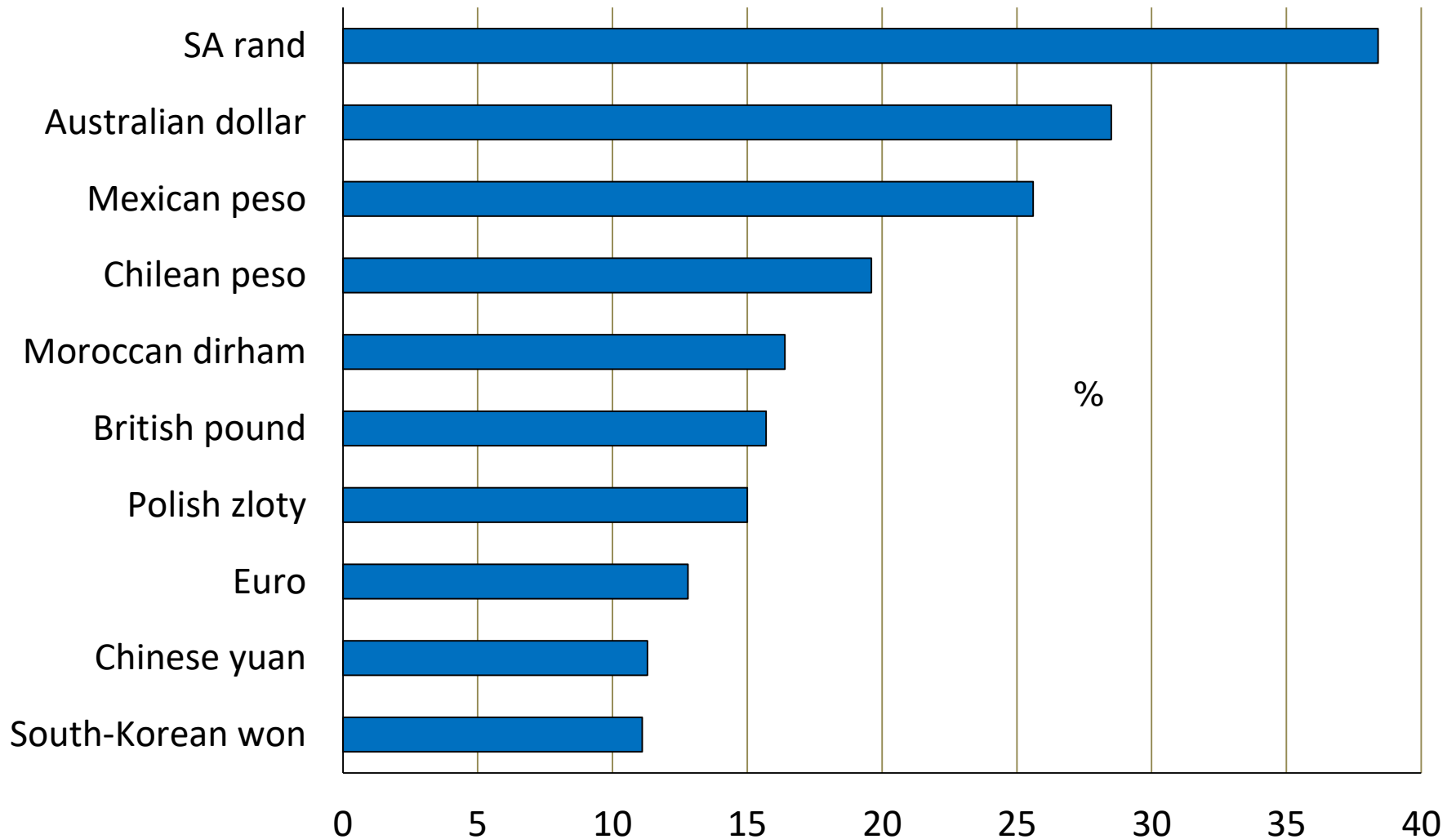
Exchange rate of the rand since 2020 (monthly average)

(Sources: SARB; Oanda)



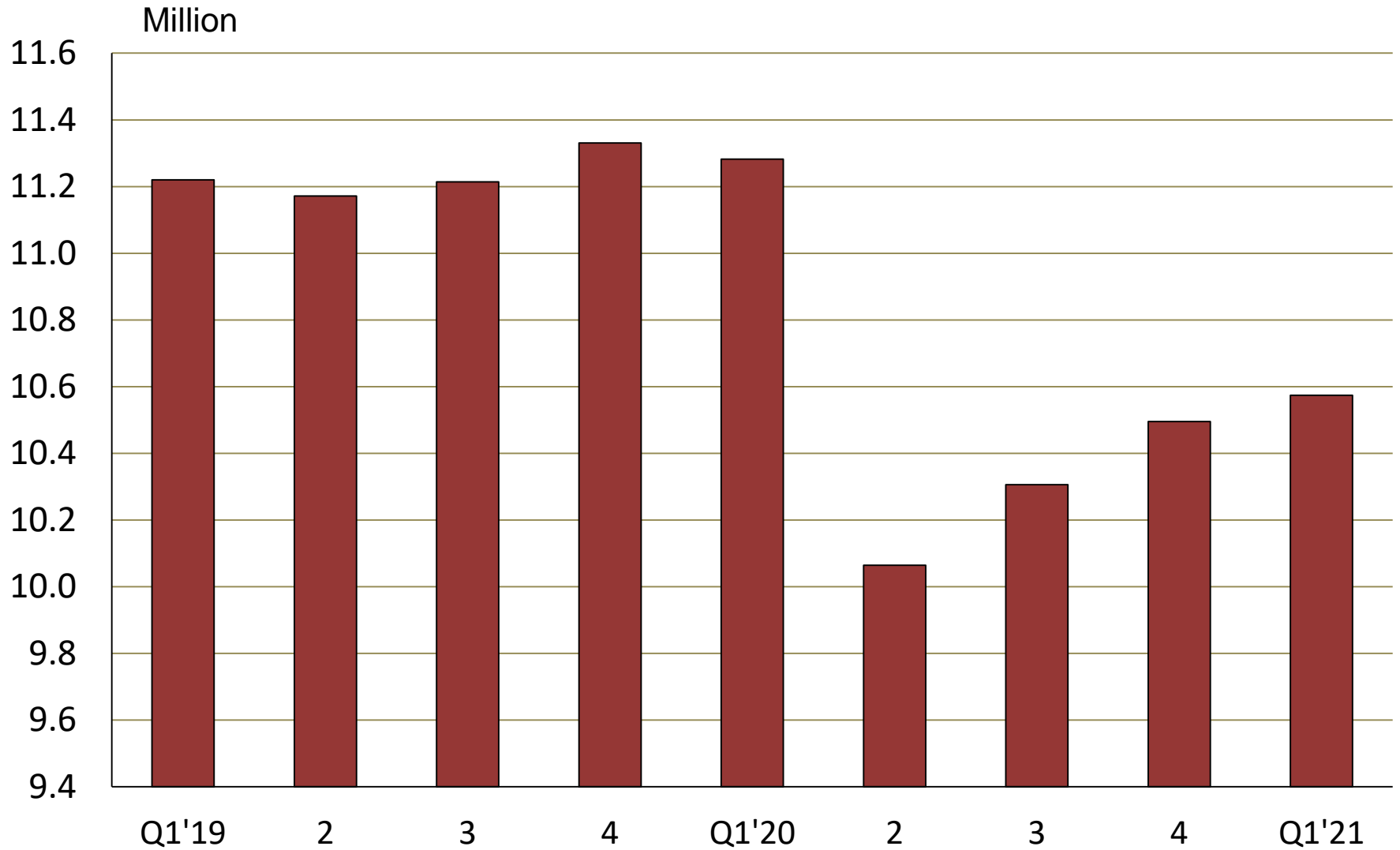
Best-performing currencies against the US dollar April 2020 to 31 May 2021

(Sources: Oanda; own calculations)



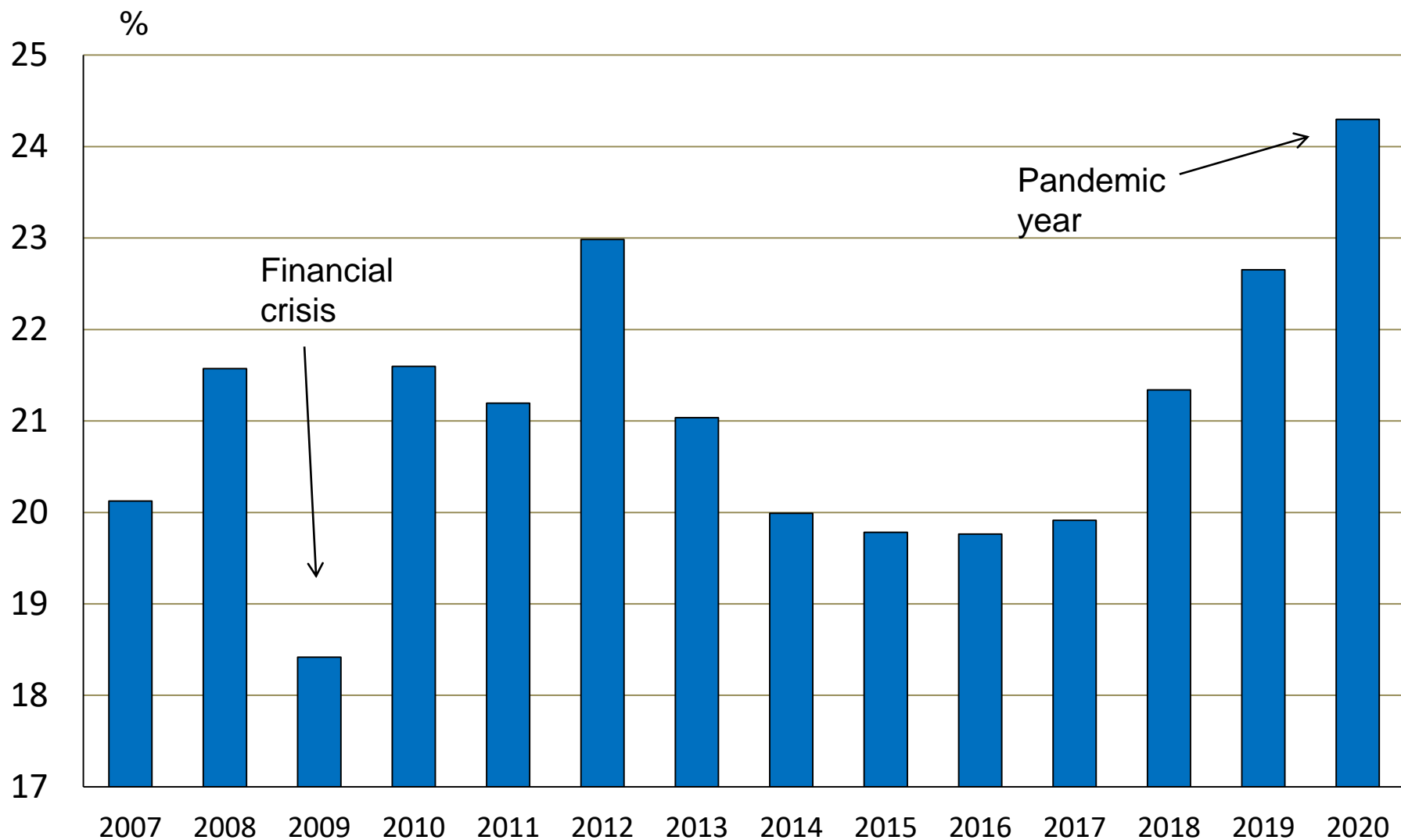
Formal employment

(Source: Stats SA)



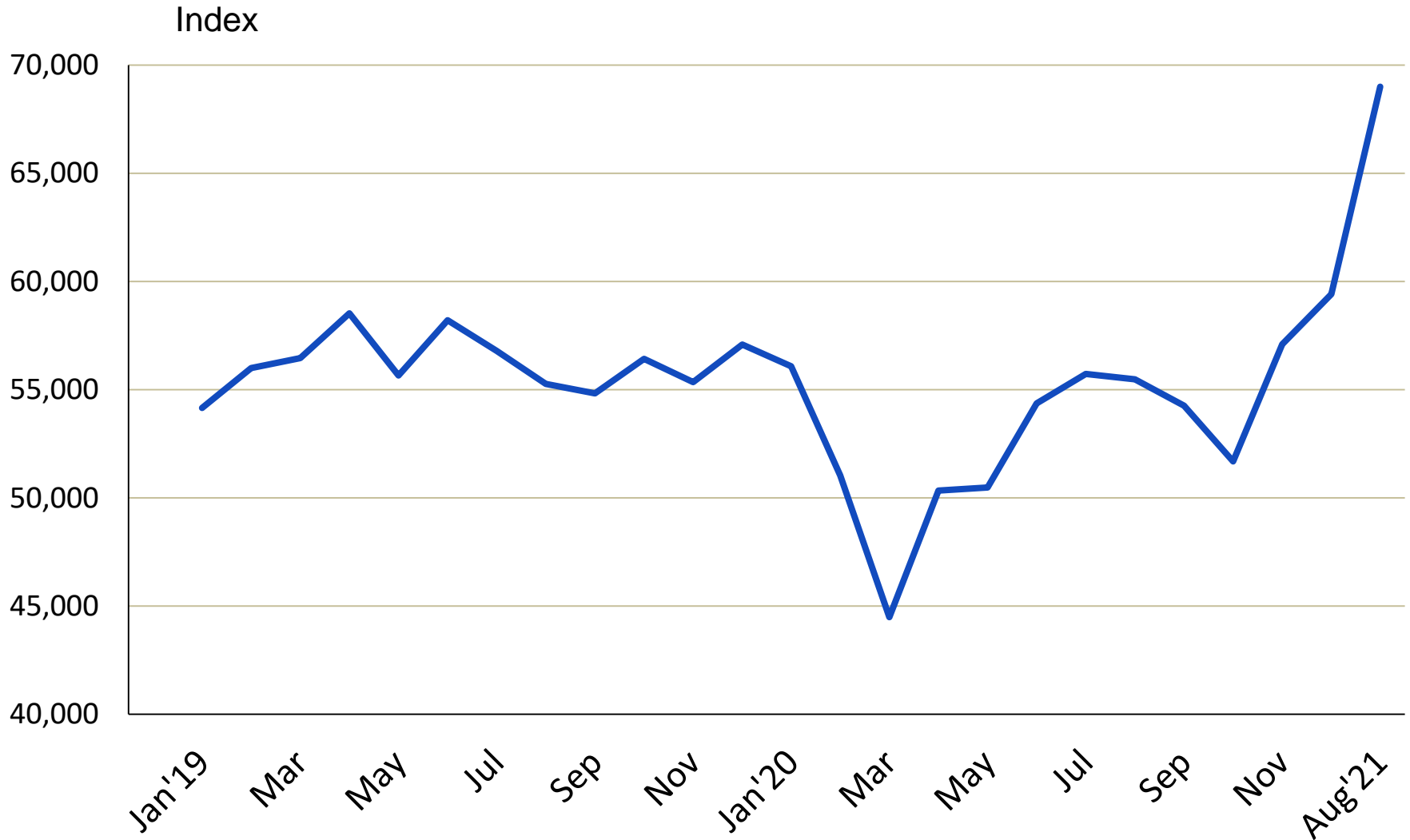
Short term insurers – ratio of unappropriated profits to total assets

(Sources: SARB; own calculations)



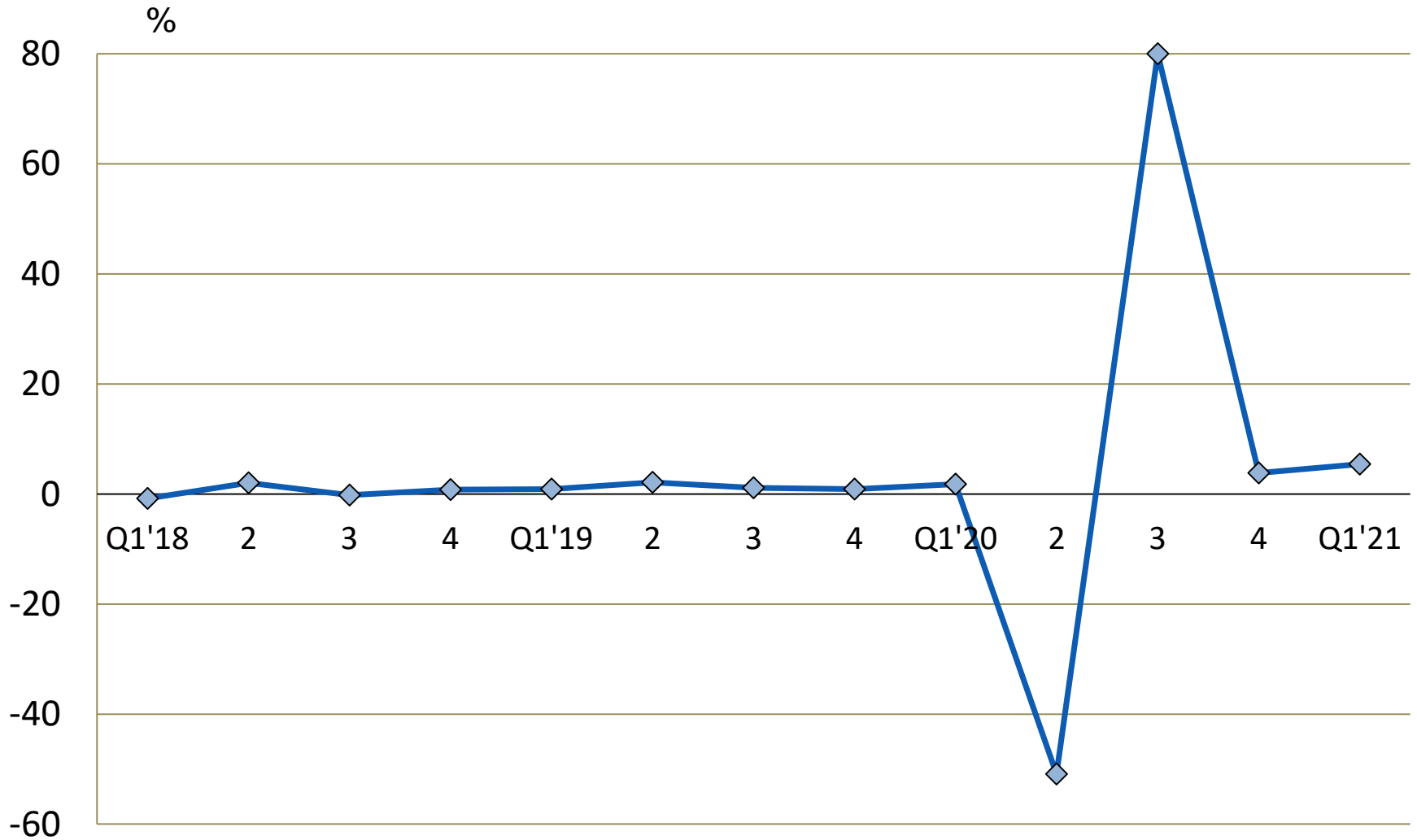
JSE All share index (Alsi) reaches new record high

(Source: JSE)



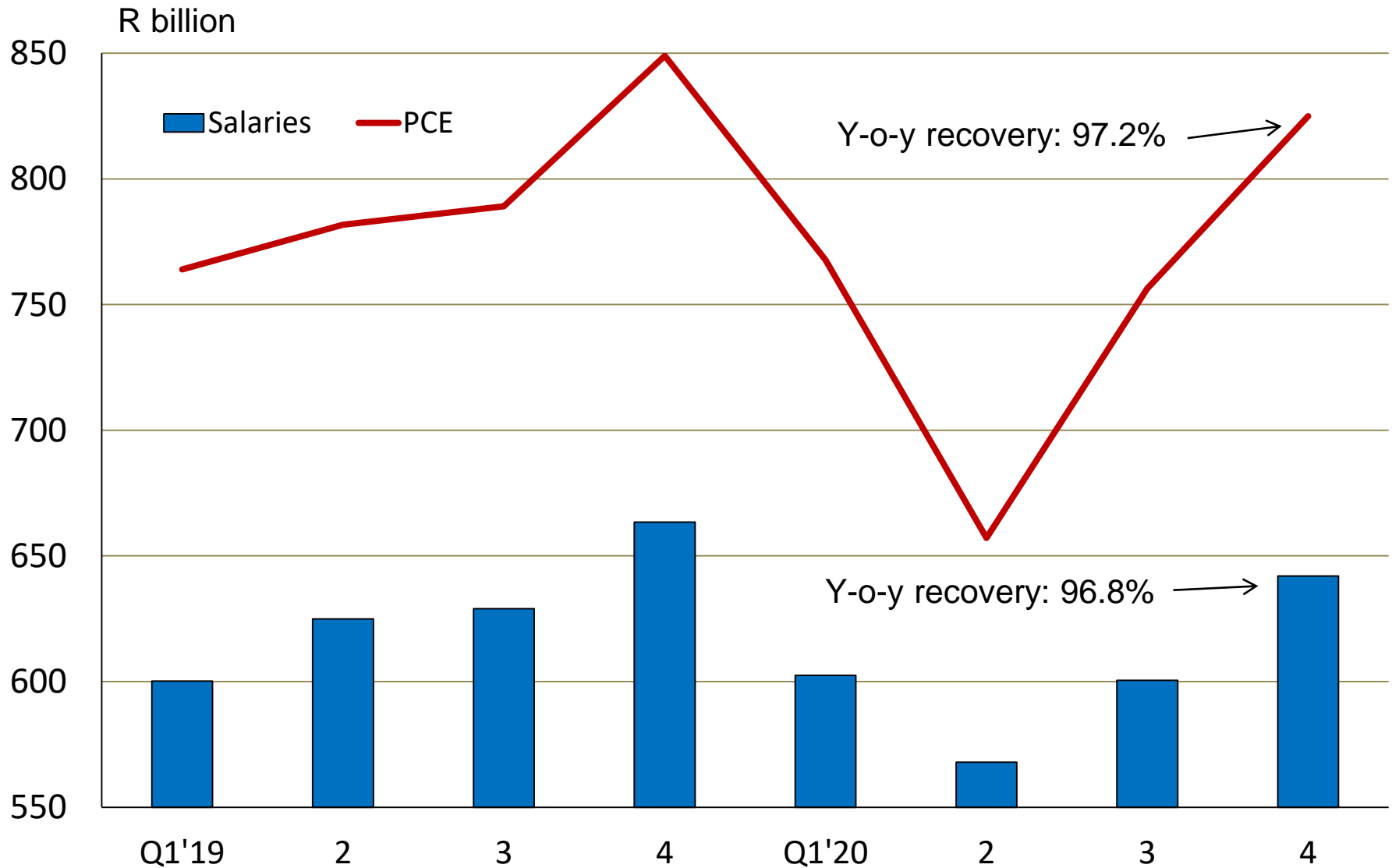
Real household disposable income returns to positive growth (annualised & seasonally adjusted)

(Source: SARB)



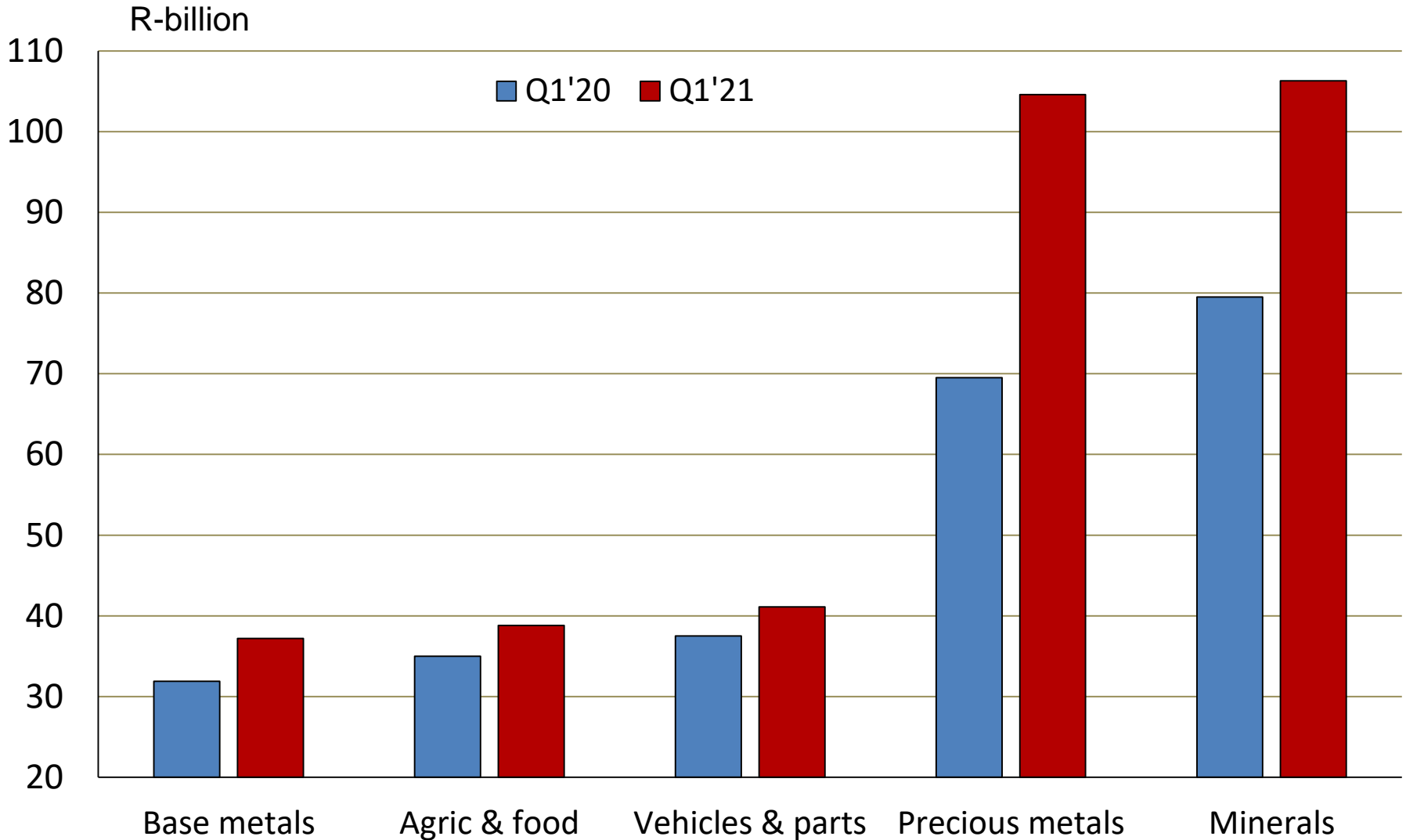
Real salaries & private consumption expenditure

(Note: deflated by the CPI; Source: Stats SA)



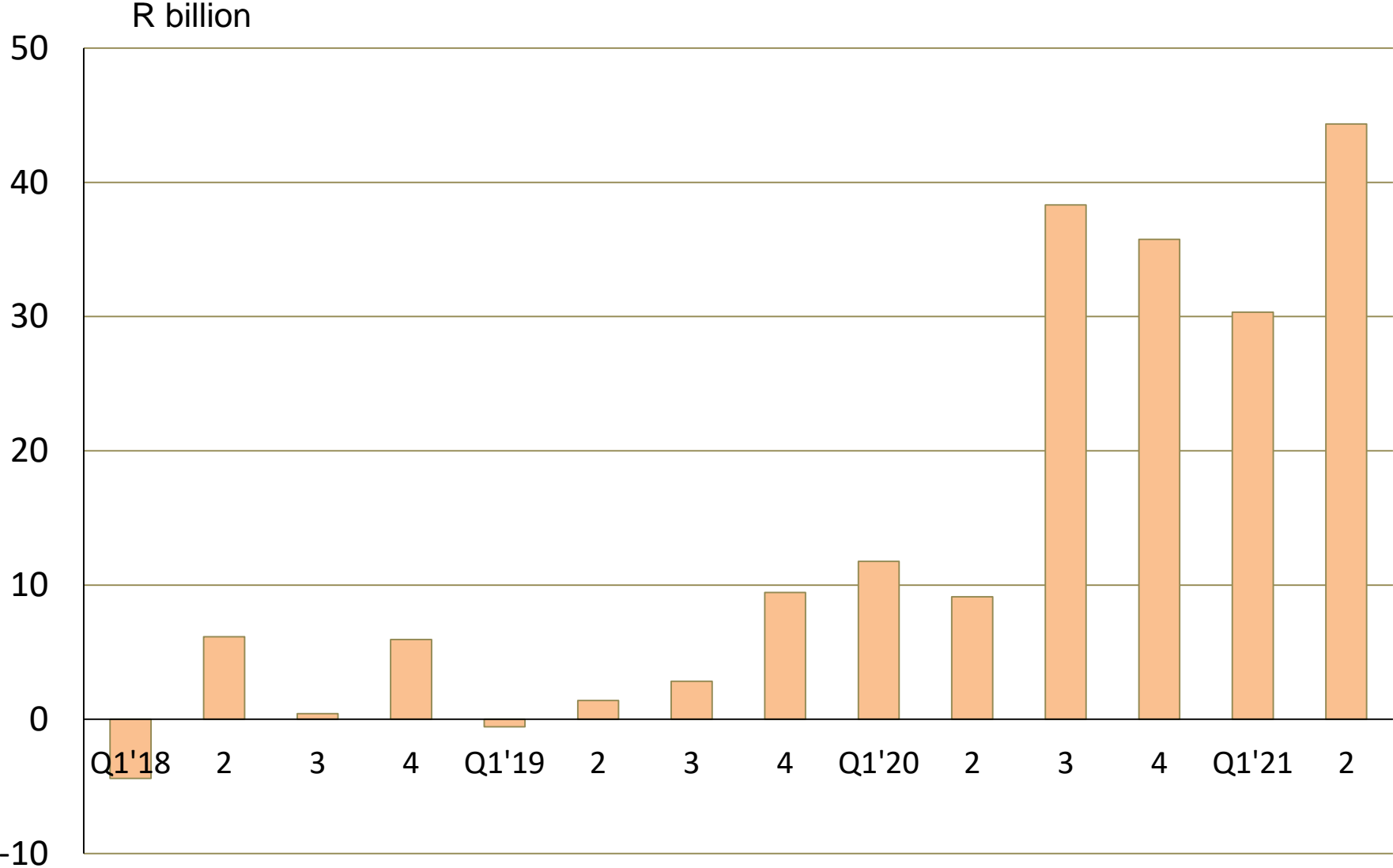
High growth for top-5 export categories in 1st quarter of 2021

(Source: SARS)



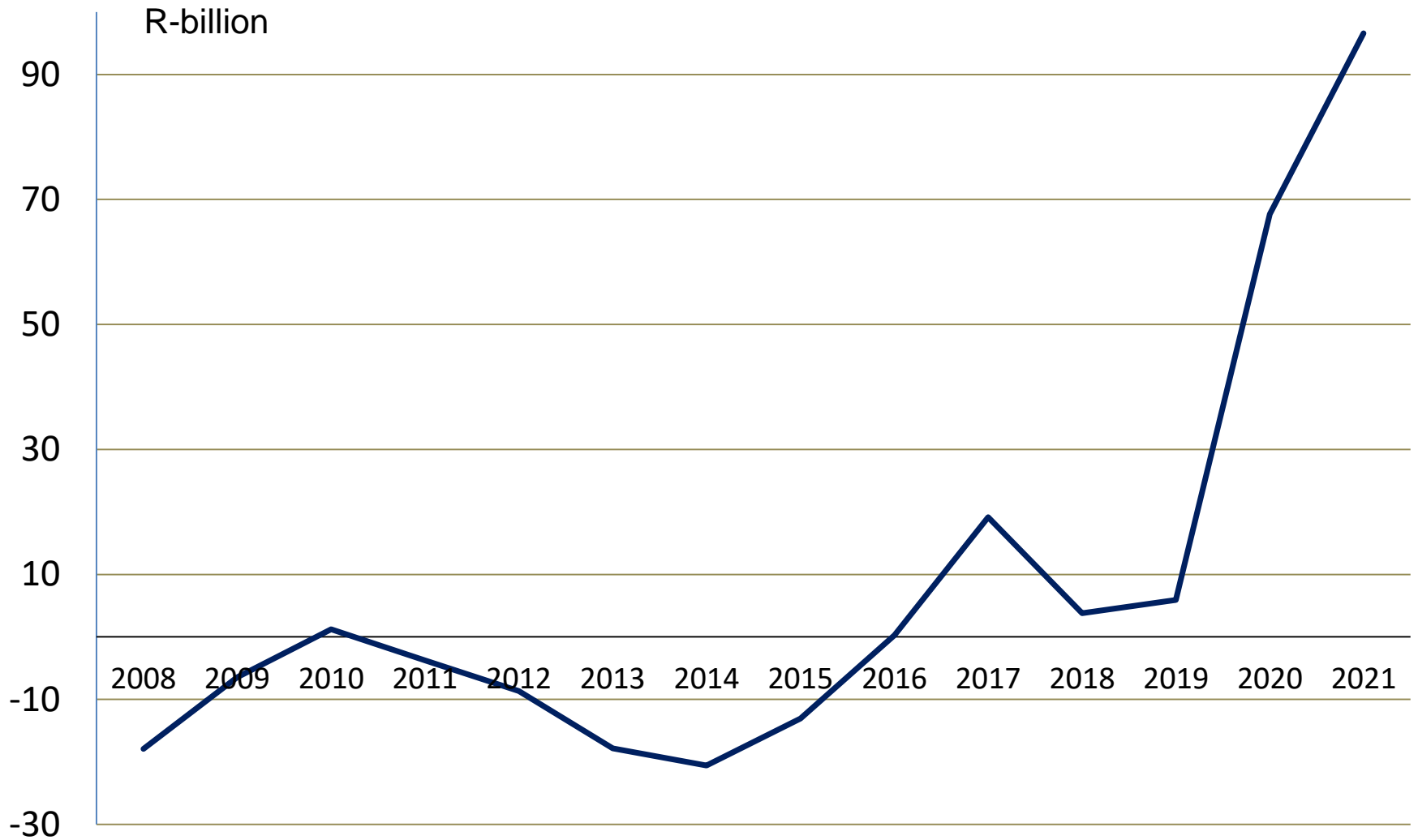
Average monthly value of exports jumps to new record high

(Sources: SARB; SARS)



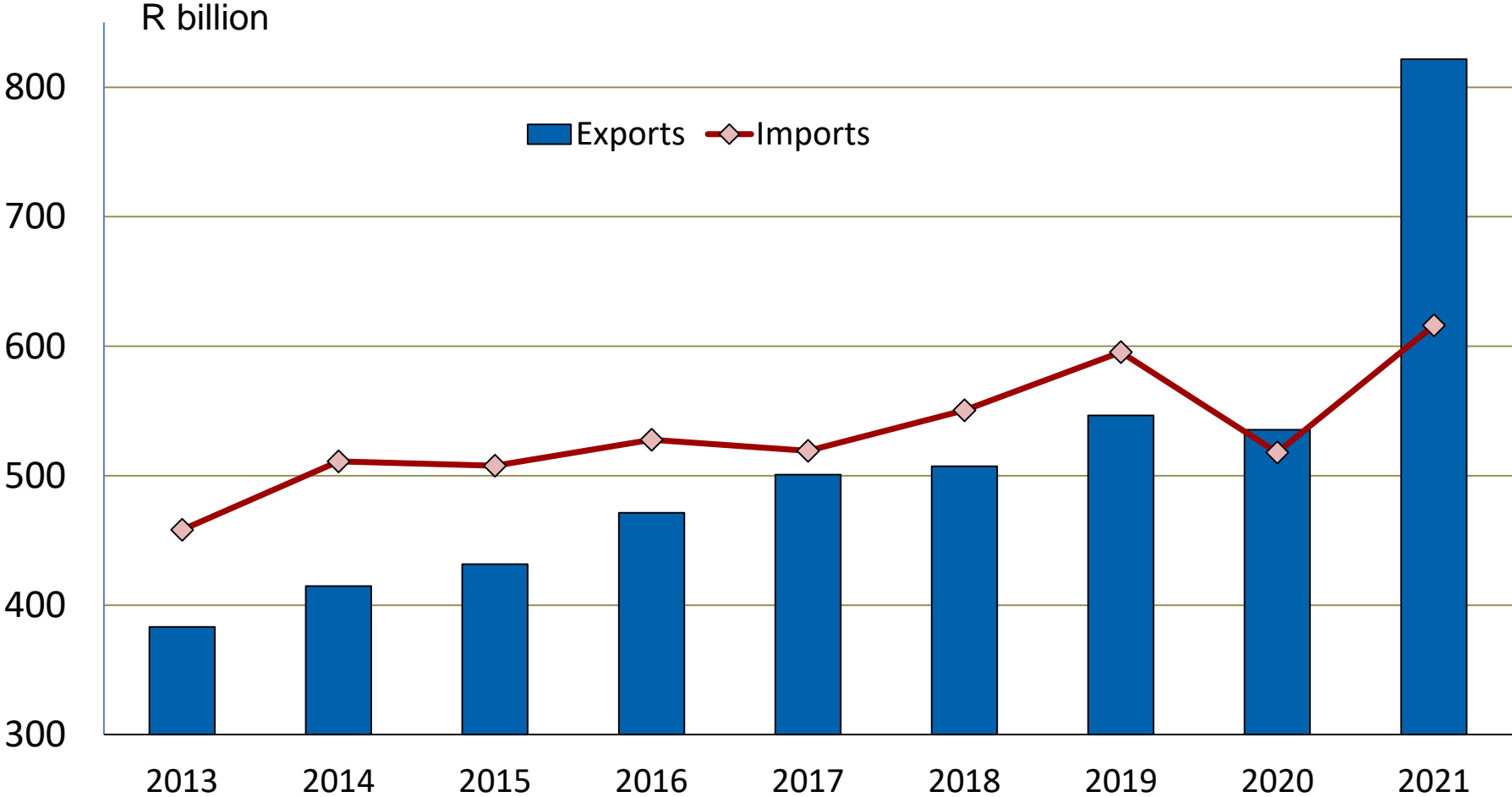
Unprecedented rise in average quarterly trade surplus

(Source: SARS)



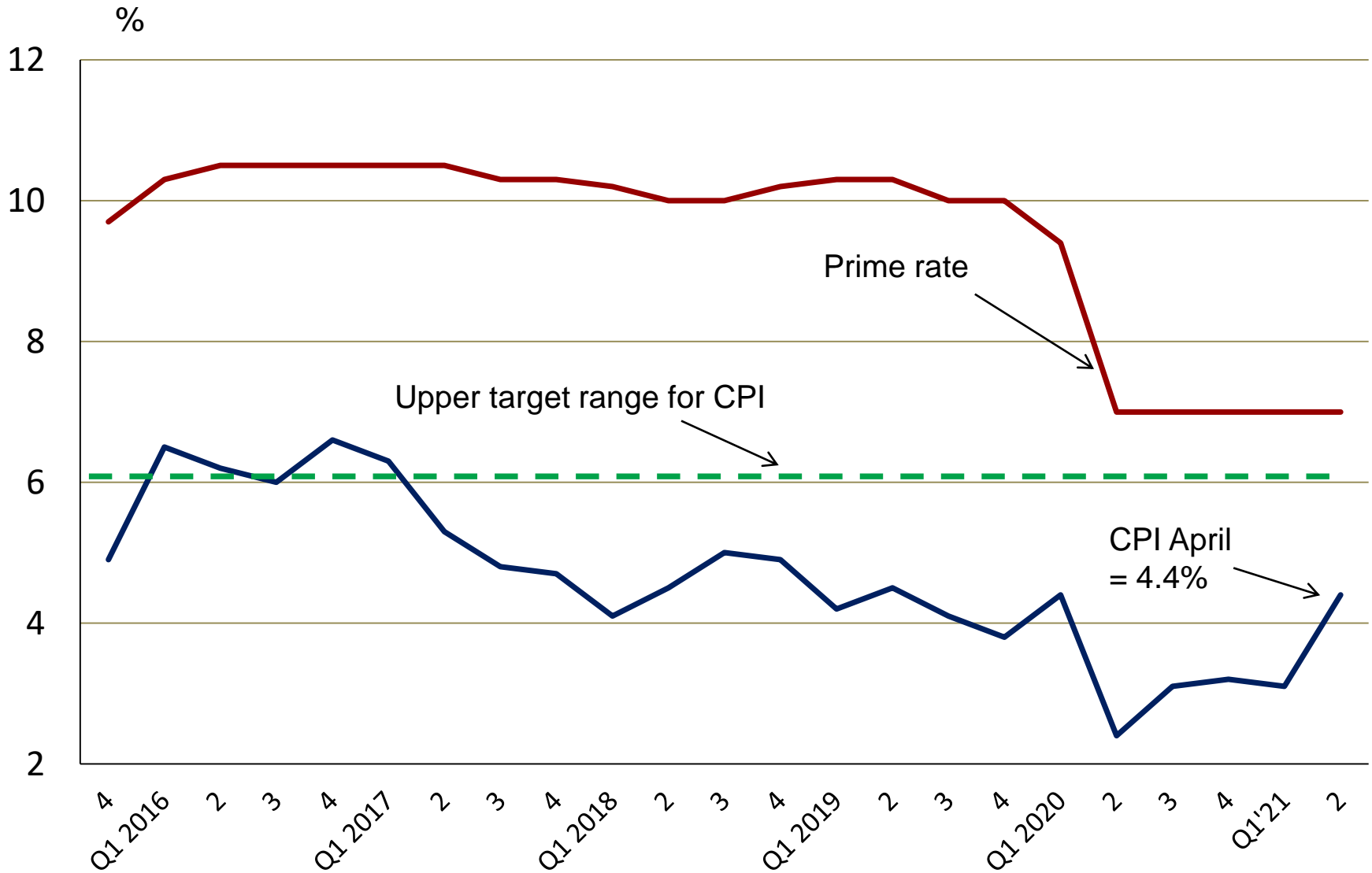
Value of exports & imports January to June

(Source: SARS)



Prime rate and the CPI

(Sources: Stats SA; SARB)



Growth drivers into 2022

- Lowest lending rates in 50 years
- Accommodating monetary policy likely to continue for several years
- Low inflation (at bottom end of Reserve Bank's target range)
- Higher levels of business confidence (PMIs)
- Paradigm shift in economic policy, emphasising growth and job creation
- Visible signs of institutional combating of corruption (including arrests)
- Pent-up demand due to pandemic
- Redevelopment opportunities due to telecommuting trend ("Zoom town" phenomenon likely to continue)
- Temporary halt of emigration of highly skilled people
- Resilient levels of real retail trade sales
- Strong recovery of the agriculture sector

Growth drivers into 2022 (continued)

- V-shaped economic recovery for most key sectors
- Super cycle for metal & mineral commodity prices
- Prospects of substantially higher GDP growth in 2021 & 2022
- Public debt still manageable and mainly rand-denominated
- Stable, yet attractive bond yield
- Large, diversified & expanding taxation base
- Fundamental balance of payments stability, as reflected in a record trade & current account surplus
- High global ranking for soundness of banks
- Increase in overall global competitiveness ranking (from 67 to 60)
- The rand is the world's #1 performer vs \$ since early April 2020
- Demographics (the “ultimate growth driver”, according to the EU)